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Report Highlights:
Food prices to ease from January 2010: Montek Singh Ahluwalia, *India needs to import two more million tons of sugar: ISMA*, *Fuel Doping: Government to rework pricing formula for ethanol*, *Coffee output likely to fall below 300,000 metric tons*.

General Information:

FOOD PRICES TO EASE FROM JANUARY 2010: MONTEK SINGH AHLUWALIA

"Food prices, currently at a 10-year high, will start easing from January 2010," Planning Commission Deputy Chairman Montek Singh Ahluwalia, said at a Confederation of Indian Industry meeting on December 22. Food inflation climbed to a 10-year high of close to 20 percent during the first week of December, driven mainly by higher prices of potato, other vegetables and pulses. Ahluwalia said that the situation suggests dysfunction in distribution as retail prices have shot much more than the wholesale prices and import cannot be done without a subsidy as international prices are higher. "It is a complex situation and cannot be corrected with monetary polices…price build-up is on speculation post-drought. 'Where we can, we should import. But if the import prices are high, the government has to give a subsidy, he said. The Chairman of the Prime Minister Economic Advisory Council, Mr. C. Rangarajan, said that the Reserve Bank of India could reduce money supply and raise interest rates to tame the rising prices of food articles. (Source: Times of India, 12/23/09; Indo-Asian News Service, 12/22/09)

INDIA NEEDS TO IMPORT TWO MORE MILLION TONS OF SUGAR: ISMA

India needs to import two million tons of sugar by September 2010, in addition to the 5.3 million tons already bought from abroad in 2009-10, to meet domestic demand, the Indian Sugar Mills Association (ISMA) said on Monday. It is estimated that the output in 2009-10 (October-September) will be less than 16 million tons against the domestic demand of 22- 23 million tons. Production was 14.7 million tons in 2008-09. This also means that sugar prices, now between Rs. 38 and 40 a kg in the retail market, will remain as such. The country has contracted to import 3.8 million tons of raw and refined sugar. Of this, 1.8 million tons has arrived and two million tons was purchased and yet to arrive. With an opening stock of 1.5 million tons from overseas purchases, the total was 5.3 million tons. The closing stock of sugar is estimated at last year's level of 3.1 million tons. (Source: The Hindu, 12/21/09)

FUEL DOPING: GOVERNMENT TO REWORK PRICING FORMULA FOR ETHANOL

In an urgent bid to revive the mandatory blending of 5 percent ethanol with petrol, the Central Government is gearing up to rework the formula for pricing ethanol in order to activate the ethanol supply tenders from sugar factories to oil marketing companies. The new formula is likely to include a 'take or pay' clause, inviting a penalty of 10 percent to the supply value. The Agriculture Minister, Mr. Sharad Pawar, plans to put out the new formula, being worked out in consultation with the sugar companies, before the Cabinet soon to ensure that the 5 percent mandatory ethanol doping of petrol is started immediately. The decision comes with the back drop of a decline in domestic production of sugar and a rise in demand of ethanol from around 800 million liters annually to over 850 million liters in the course of the delay (since 2006) in implementation.
(Source: The Financial Express, 12/23/09)

COFFEE OUTPUT LIKELY TO FALL BELOW 300,000 METRIC TONS

The post monsoon coffee crop forecast for the year 2009-10 is placed at 289,600 metric tons, a

reduction of 16,700 metric tons (5.45 percent) over the previous post-blossom estimate of 306,300 metric tons. The **arabica** and **robusta** break-up is 94,600 metric tons and 195,000 metric tons respectively. **Arabica** production has shown a decline of 6,925 metric tons (6.82 percent) compared to **robusta**, which has declined by 9,775 metric tons (4.77 percent) over the post-blossom forecast. The majority of the decline in production is attributed to Karnataka state (94 percent). The reduction in production is attributed to heavy monsoon rains, which resulted in berry drop due to wet feet conditions in certain pockets of affected zones. The loss of crop, to a certain extent, is also reported due to unusual and continuous rains during October and November. (Hot link: http://www.indiacoffee.org/indiacoffee.php?page=CoffeeData)
(Source: Coffee data, Coffee Board)

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